

CITY OF ROLLA, KANSAS
Rolla, Kansas

FINANCIAL STATEMENTS
For the year ended December 31, 2017

CITY OF ROLLA, KANSAS

FINANCIAL STATEMENTS

For the year ended December 31, 2017

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CITY OF ROLLA, KANSAS

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Rolla, Kansas

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the City of Rolla, Kansas, as of and for the year ended December 31, 2017 and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note 1; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the *Kansas Municipal Audit and Accounting Guide*. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

To the City Council
City of Rolla, Kansas

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the City of Rolla, Kansas on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City of Rolla, Kansas as of December 31, 2017, or changes in financial position and cash flows thereof for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the City of Rolla, Kansas as of December 31, 2017, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget and individual fund schedules of regulatory basis receipts and expenditures-actual and budget (Schedules 1 and 2 as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. Such information is the responsibility of management and was derived from

To the City Council
City of Rolla, Kansas

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and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statement of the City of Rolla, Kansas as of and for the year ended December 31, 2016 (not presented herein), and have issued our report thereon dated June 7, 2017, which contained an unmodified opinion on the basic financial statement. The 2016 basic financial statement and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration at the following link <http://www.admin.ks.gov/offices/chief-financial-officer/municipal-services>. The 2016 actual column (2016 comparative information) presented in the individual fund schedules of regulatory basis receipts and expenditures-actual and budget for the year ended December 31, 2017 (Schedule 2 as listed in the table of contents) is presented for purposes of additional analysis and is not a required part of the basic financial statement. Such 2016 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2016 basic financial statement. The 2016 comparative information was subjected to the auditing procedures applied in the audit of the 2016 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2016 basic financial statement or to the 2016 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2016 comparative information is fairly stated in all material respects in relation to the basic financial statement as a whole for the year ended December 31, 2016, on the basis of accounting described in Note 1.

Hay•Rice & Associates, Chartered

Hay•Rice & Associates, Chartered

June 13, 2018

CITY OF ROLLA, KANSAS

Statement 1

SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES
AND UNENCUMBERED CASH – REGULATORY BASIS

For the year ended December 31, 2017

<u>Funds</u>	<u>Beginning</u> <u>Unencumbered</u> <u>Cash</u> <u>Balance</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Ending</u> <u>Unencumbered</u> <u>Cash</u> <u>Balance</u>	<u>Add</u> <u>Encumbrances</u> <u>& Accounts</u> <u>Payable</u>	<u>Ending</u> <u>Cash</u> <u>Balance</u>
General Fund	\$ 65,838	\$405,934	\$389,262	\$ 82,510	\$ 3,951	\$ 86,461
Special Purpose Funds:						
Special Highway Fund	23,948	10,922	5,541	29,329	-	29,329
Equipment Reserve Fund	901	5,000	-	5,901	-	5,901
Capital Improvements Fund	1,628	5,000	-	6,628	-	6,628
Debt Service Fund:						
Bond and Interest Fund	9,866	73,798	76,242	7,422	-	7,422
Business Fund:						
Enterprise Fund:						
Water Utilities Fund	<u>10,926</u>	<u>172,972</u>	<u>182,049</u>	<u>1,849</u>	<u>10,038</u>	<u>11,887</u>
Total Reporting Entity	<u>\$113,107</u>	<u>\$673,626</u>	<u>\$653,094</u>	<u>\$133,639</u>	<u>\$ 13,989</u>	<u>\$147,628</u>

The notes to the financial statement are an integral part of this statement.

CITY OF ROLLA, KANSAS

Statement 1
(Continued)

SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES
AND UNENCUMBERED CASH – REGULATORY BASIS

For the year ended December 31, 2017

Ending Cash Balance		<u>\$147,628</u>
Composition of Cash:		
Cash on hand with City Clerk	\$ 300	
Cash in Bank:		
Checking account – FNB – Petty cash	150	
Checking account – FNB	38,073	
Certificates of Deposit:		
First National Bank	<u>109,105</u>	
Total Cash		<u>\$147,628</u>

The notes to the financial statement are an integral part of this statement.

CITY OF ROLLA, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

Note 1: Summary of Significant Accounting Policies

Municipal Financial Reporting Entity

The City of Rolla is a municipal corporation governed by an elected six member council. This regulatory financial statement presents the City of Rolla (the municipality). A related municipal entity is defined as an entity legally separate from the City, which has a significant dependence on, or relationship with the City. Based upon the criteria used to evaluate potential related municipal entities, it was determined there were no related municipal entities to present with the municipality's financial statement.

Fund Descriptions

In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

Regulatory Basis Fund Types

The following types of funds comprise the financial activities of the City for the year of 2017:

Governmental Funds:

General Fund – The Chief Operating Fund – used to account for all resources except those required to be accounted for in another fund.

Special Purpose Funds – used to account for the proceeds of specific tax levies and other specific regulatory receipt sources (other than Capital Project and tax levies for long-term debt) that are intended for specified purposes.

Bond and Interest Funds – used to account for the accumulation of resources, including tax levies, transfers from other funds and payment of general long-term debt.

Capital Project Funds – used to account for the debt proceeds and other financial resources to be used for acquisition or construction of major capital facilities or equipment.

CITY OF ROLLA, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

(Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

Business Funds:

Enterprise Funds – to account for operations that are financed and operated in a manner similar to private business enterprises – where the stated intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges – or where periodic determination of revenue earned, expenses incurred, and/or net income is deemed appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Fiduciary Funds:

Trust Funds – used to report assets held in trust for the benefit of the municipal financial reporting entity.

Agency Funds – used to report assets held by the municipal reporting entity in a purely custodial capacity.

Basis of Accounting

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America

The KMAAG regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis receipts and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The municipality has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the municipality to use the regulatory basis of accounting.

CITY OF ROLLA, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

(Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

Basis of Accounting (Continued)

The basis of accounting described above results in a financial statement presentation which shows cash receipts, cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. General capital assets that account for the land, buildings and equipment owned by the municipality are not presented in the financial statements. Also, general long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statements.

Other Accounting Policies

Cash and Time Deposits

These liquid assets are shown in aggregate. K.S.A. 12-1671 and 12-1672 allow these assets to be shown in aggregate. Deposits are carried at cost.

In accordance with K.S.A. 9-1402 and K.S.A. 12-1675, the City of Rolla, Kansas deposited and/or invested all funds with the First National Bank of Elkhart.

State statutes and local bond ordinances authorize the City to invest in obligations of the U. S. Treasury and certificates of deposit at local financial institutions.

Special Assessments

Projects financed in part by special assessments are financed through general obligation bonds of the City and are retired from the Bond and Interest Fund. Special assessments paid prior to the issuance of bonds are recorded as revenue in the appropriate project. Special assessments received after the issuance of bonds are recorded as revenue in the Bond and Interest Fund.

CITY OF ROLLA, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

(Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

Temporary Notes

Upon authorization for the issuance of general obligation bonds for certain improvements, Kansas law permits the temporary financing of such improvements by the issuance of temporary notes. Temporary notes issued may not exceed the aggregate amount of bonds authorized, are interest bearing and have a maturity date not later than four years from the date of issuance of such temporary notes. Temporary notes outstanding are retired from the proceeds of the sale of general obligation bonds.

Vouchers Payable

Vouchers payable are classified on the basis of a claim for payment resulting from legal title to property.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental funds.

In addition, encumbrances do constitute expenditures of a fund.

Unencumbered Cash Balance

The unencumbered cash balance is the unobligated resources of cash and time deposits of a fund.

Budgetary Information and Tax Cycle

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special purpose funds (unless specifically exempted by statute), bond and interest funds, and business funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.

CITY OF ROLLA, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

(Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

Budgetary Information and Tax Cycle (Continued)

2. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in regulatory receipts other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for this year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison schedules are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the regulatory basis of accounting, in which regulatory receipts are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for the prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year end.

A legal operating budget is not required for capital project funds, trust funds, and the following special purpose funds:

Equipment Reserve Fund
Capital Improvements Fund
Shop Project Fund

CITY OF ROLLA, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

(Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

Budgetary Information and Tax Cycle (Continued)

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

All budgets must be filed with the County Clerk by August 25th. The County Clerk must calculate the final tax levy rates necessary to finance the budget subject to any legal limitations. After all budgets have been received and tax rates calculated, the Clerk certifies the tax roll to the County Treasurer, who prepares tax statements and receives payments.

These taxes become a lien against all property November 1st. Taxpayers have the option of paying in full or in two installments. The delinquency dates are December 20th and May 10th. Delinquent taxes are assessed interest at 12% per annum. This interest is retained by Morton County.

Taxes levied to finance the budget are made available to the City of Rolla, Kansas after the first of the year and are distributed by the County Treasurer approximately every month and a half. At least 50% of the taxes levied are available in January. Delinquent tax collections are distributed annually.

Note 2: Stewardship, Compliance and Accountability

Compliance with Kansas Statutes

Contrary to the provisions of K.S.A. 10-1117 and K.S.A. 79-2934, the City Clerk did not maintain a formal encumbrance record or an unencumbered budget balance record.

Fund Balances – Designated for Subsequent Year's Budget

Actual cash carryover was not sufficient for the following funds:

	<u>2017</u> <u>Unencumbered</u> <u>Cash Balance</u>	<u>2018 Budgeted</u> <u>Unencumbered</u> <u>Cash Carryover</u>
Bond and Interest	\$ 7,422	\$ 13,134
Water Utilities	1,849	3,502

CITY OF ROLLA, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

(Continued)

Note 3: Deposits and Investments

K.S.A. 9-1401 establishes the depositories which may be used by the City of Rolla. The statute requires banks eligible to hold the City of Rolla's funds have a main or branch bank in the county in which the City of Rolla is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City of Rolla has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the City of Rolla's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City of Rolla has no investment policy that would further limit its investment choices.

Concentration of Credit Risk – State statutes place no limit on the amount the City of Rolla may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the City of Rolla's deposits may not be returned to it. State statutes require the City of Rolla's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The City of Rolla has no "peak periods". All deposits were legally secured at December 31, 2017.

At December 31, 2017, the City of Rolla's carrying amount of deposits, including certificates of deposit, was \$147,628 and the bank balance was \$149,289. Of the bank balance, \$149,289 was covered by federal depository insurance.

Custodial Credit Risk – Investments – For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the City of Rolla will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

CITY OF ROLLA, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

(Continued)

Note 4: Interfund Transfers

Operating transfers were as follows:

<u>From</u>	<u>To</u>	<u>Regulatory Authority</u>	<u>Amount</u>
General Fund	Equipment Reserve	KSA 12-1,117	\$ 5,000
	Capital Improvements	KSA 12-1,118	5,000

Note 5: Defined Benefit Pension Plan

General Information about the Pension Plan

Plan Description

The City of Rolla, Kansas participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in its Comprehensive Annual Financial Report which can be found on the KPERS website at www.kpers.org or by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Contributions

K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2 or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009, and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member-employee contribution rate at 6% of covered salary for KPERS 1, KPERS 2 and KPERS 3 members. Member contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

CITY OF ROLLA, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

(Continued)

Note 5: Defined Benefit Pension Plan (Continued)

Contributions (Continued)

State law provides that the employer contribution rates for KPERS 1, KPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 1% contribution rate with a 0% moratorium from the period of January 1, 2017 through September 30, 2017 for the Death and Disability Program) and the statutory contribution rate was 8.46% for the fiscal year ended December 31, 2017. Contributions to the pension plan from the City of Rolla were \$19,721 for the year ended December 31, 2017.

Net Pension Liability

At December 31, 2017, the City of Rolla's proportionate share of the collective net pension liability reported by KPERS was \$111,502. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016, which was rolled forward to June 30, 2017. The City of Rolla's proportion of the net pension liability was based on the ratio of the City of Rolla's contributions to KPERS, relative to the total employer and non-employer contributions of the Local subgroup within KPERS. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in this financial statement.

The complete actuarial valuation report including all actuarial assumptions and methods, and the report on the allocation of the KPERS collective net pension liability to all participating employers are publicly available on the website at www.kpers.org or can be obtained as described above.

CITY OF ROLLA, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

(Continued)

Note 6: Other Long-Term Obligations from Operations

Compensated Absences

Sick, Vacation and Personal Leave

All full-time regular employees are to accrue vacation and personal leave as follows:

1-4 Years of service – 10 Vacation days and 2 personal days

5-9 Years of service – 17 Vacation days and 3 personal days

10+ Years of service – 22 Vacation days and 4 personal days

Vacation leave is forfeited if not taken within the calendar year.

All full-time regular employees are to accrue sick leave. Ten sick leave days per year of employment may be accrued and carried over to the following year not to exceed 90 days. No employee is to receive monetary remuneration for unused sick leave upon termination of their employment.

Other Post Employment Benefits

As provided by K.S.A. 12-5040, the City of Rolla, Kansas allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the City of Rolla, Kansas is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in this financial statement.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City of Rolla, Kansas makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured.

Note 7: Subsequent Events

The City of Rolla's management has evaluated events and transactions through June 13, 2018, the date which the financial statement was available to be issued.

CITY OF ROLLA, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

(Continued)

Note 8: Long-Term Debt

Changes in long-term liabilities for the City for the year ended December 31, 2017 were as follows:

<u>Issue</u>	<u>Interest Rates</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Date of Final Maturity</u>	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Reductions/ Payments</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>
General Obligation Bonds:									
Series 2012	0.6%-2.0%	10/12	\$555,000	10/22	\$350,000	-	\$ 55,000	\$295,000	\$ 5,235
Series 2015	1.65%	08/15	75,000	10/20	61,000	-	15,000	46,000	1,006
KDHE loans	3.57%	12/07	171,332	08/30	<u>185,537</u>	<u>-</u>	<u>10,423</u>	<u>175,114</u>	<u>6,531</u>
Total Contractual Indebtedness					<u>\$596,537</u>	<u>-</u>	<u>\$ 80,423</u>	<u>\$516,114</u>	<u>\$12,772</u>

Current maturities of long-term debt and interest for the next five years and in five year increments through maturity are as follows:

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023-2027</u>	<u>2028-2030</u>	<u>Total</u>
Principal:								
GO bonds – 2012	\$ 55,000	\$ 55,000	\$ 60,000	\$ 60,000	\$ 65,000	\$ -	\$ -	\$295,000
GO bonds – 2015	15,000	15,000	16,000	-	-	-	-	46,000
KDHE loans	<u>10,799</u>	<u>11,188</u>	<u>11,591</u>	<u>12,008</u>	<u>12,441</u>	<u>69,256</u>	<u>47,831</u>	<u>175,114</u>
Total principal	<u>\$ 80,799</u>	<u>\$ 81,188</u>	<u>\$ 87,591</u>	<u>\$ 72,008</u>	<u>\$ 77,441</u>	<u>\$ 69,256</u>	<u>\$ 47,831</u>	<u>\$516,114</u>
Interest:								
GO bonds – 2012	\$ 4,685	\$ 4,053	\$ 3,310	\$ 2,380	\$ 1,300	\$ -	\$ -	\$ 15,728
GO bonds – 2015	760	512	264	-	-	-	-	1,536
KDHE loans	<u>5,552</u>	<u>5,202</u>	<u>4,838</u>	<u>4,462</u>	<u>4,072</u>	<u>13,996</u>	<u>2,735</u>	<u>40,857</u>
Total interest	<u>\$ 10,997</u>	<u>\$ 9,767</u>	<u>\$ 8,412</u>	<u>\$ 6,842</u>	<u>\$ 5,372</u>	<u>\$ 13,996</u>	<u>\$ 2,735</u>	<u>\$ 58,121</u>
Total Principal and Interest	<u>\$ 91,796</u>	<u>\$ 90,955</u>	<u>\$ 96,003</u>	<u>\$ 78,850</u>	<u>\$ 82,813</u>	<u>\$ 83,252</u>	<u>\$ 50,566</u>	<u>\$574,235</u>

CITY OF ROLLA, KANSAS

REGULATORY-REQUIRED
SUPPLEMENTARY INFORMATION

CITY OF ROLLA, KANSAS

Schedule 1

SUMMARY OF EXPENDITURES – ACTUAL AND BUDGET
REGULATORY BASIS

For the year ended December 31, 2017

<u>Funds</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance Over (Under)</u>
General Fund	\$401,700	\$389,262	\$ (12,438)
Special Purpose Fund:			
Special Highway Fund	25,157	5,541	(19,616)
Debt Service Fund:			
Bond and Interest Fund	86,242	76,242	(10,000)
Business Fund:			
Enterprise Fund:			
Water Utilities Fund	<u>204,185</u>	<u>182,049</u>	<u>(22,136)</u>
Totals	<u>\$717,284</u>	<u>\$653,094</u>	<u>\$ (64,190)</u>

CITY OF ROLLA, KANSAS

Schedule 2

SCHEDULES OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET – REGULATORY BASIS

For the year ended December 31, 2017

CITY OF ROLLA, KANSAS

Schedule 2-1

GENERAL FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET – REGULATORY BASIS

For the year ended December 31, 2017

(with comparative actual totals for the prior year ended December 31, 2016)

	Current Year		Variance	Prior
	Actual	Budget	Over	Year
Receipts			(Under)	Actual
Taxes and Shared Receipts:				
Ad valorem property tax	\$179,216	\$179,216	\$ -	\$175,886
Delinquent tax	10,584	10,584	-	5,443
Motor vehicle tax	22,523	22,445	78	22,066
Recreation vehicle tax	458	458	-	525
16/20 M tax	138	138	-	385
Watercraft current tax	114	114	-	113
Commercial vehicle tax	405	405	-	716
Local sales tax	103,275	100,000	3,275	96,565
Franchise tax	<u>20,562</u>	<u>18,500</u>	<u>2,062</u>	<u>19,183</u>
Total taxes	<u>\$337,275</u>	<u>\$331,860</u>	<u>\$ 5,415</u>	<u>\$320,882</u>
Intergovernmental:				
Federal government taxes in lieu of	\$ 10,302	\$ 10,302	\$ -	\$ 11,400
Federal aid	<u>11,368</u>	<u>-</u>	<u>11,368</u>	<u>-</u>
Total intergovernmental	<u>\$ 21,670</u>	<u>\$ 10,302</u>	<u>\$ 11,368</u>	<u>\$ 11,400</u>
Licenses, permits, and fees	<u>\$ 100</u>	<u>\$ 50</u>	<u>\$ 50</u>	<u>\$ 50</u>
Fines, forfeitures, and penalties	<u>\$ 4,542</u>	<u>\$ 3,690</u>	<u>\$ 852</u>	<u>\$ 13,075</u>
Use of Money and Property:				
Interest on time deposits	\$ 702	\$ 300	\$ 402	\$ 544
Royalties and rents	5,810	5,000	810	5,815
Capital credits and dividends	<u>6,019</u>	<u>6,000</u>	<u>19</u>	<u>5,744</u>
Total use of money and property	<u>\$ 12,531</u>	<u>\$ 11,300</u>	<u>\$ 1,231</u>	<u>\$ 12,103</u>
Miscellaneous:				
Reimbursed expenses	\$ 28,045	\$ 27,000	\$ 1,045	\$ 9,907
Other	<u>1,771</u>	<u>382</u>	<u>1,389</u>	<u>4,891</u>
Total miscellaneous	<u>\$ 29,816</u>	<u>\$ 27,382</u>	<u>\$ 2,434</u>	<u>\$ 14,798</u>
Total Receipts	<u>\$405,934</u>	<u>\$384,584</u>	<u>\$ 21,350</u>	<u>\$372,308</u>

CITY OF ROLLA, KANSAS

Schedule 2-1
(Continued)

GENERAL FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET – REGULATORY BASIS

For the year ended December 31, 2017
(with comparative actual totals for the prior year ended December 31, 2016)

	<u>Current Year</u>		<u>Variance Over (Under)</u>	<u>Prior Year Actual</u>
	<u>Actual</u>	<u>Budget</u>		
<u>Expenditures</u>				
Administration:				
Personal services	\$138,083	\$111,500	\$ 26,583	\$121,482
Contractual services	79,300	86,500	(7,200)	86,277
Commodities	18,156	25,000	(6,844)	19,070
Capital outlay	<u>13,642</u>	<u>20,000</u>	<u>(6,358)</u>	<u>29,168</u>
Total general government	<u>\$249,181</u>	<u>\$243,000</u>	<u>\$ 6,181</u>	<u>\$255,997</u>
Public Safety – Police:				
Personal services	\$ 12,718	\$ 38,000	\$ (25,282)	\$ 29,607
Contractual services	7,272	3,500	3,772	3,176
Commodities	<u>411</u>	<u>4,500</u>	<u>(4,089)</u>	<u>1,692</u>
Total public safety – Police	<u>\$ 20,401</u>	<u>\$ 46,000</u>	<u>\$ (25,599)</u>	<u>\$ 34,475</u>
Public Safety – Fire:				
Personal services	\$ 4,200	\$ 4,200	\$ -	\$ 4,790
Contractual services	7,225	5,500	1,725	6,116
Commodities	<u>3,081</u>	<u>1,500</u>	<u>1,581</u>	<u>619</u>
Total public safety – Fire	<u>\$ 14,506</u>	<u>\$ 11,200</u>	<u>\$ 3,306</u>	<u>\$ 11,525</u>
Highways and Streets:				
Contractual services	\$ 12,921	\$ 11,000	\$ 1,921	\$ 9,192
Commodities	<u>7,628</u>	<u>7,500</u>	<u>128</u>	<u>3,568</u>
Total highways and streets	<u>\$ 20,549</u>	<u>\$ 18,500</u>	<u>\$ 2,049</u>	<u>\$ 12,760</u>
Employee Benefits:				
Personal services	<u>\$ 74,625</u>	<u>\$ 68,000</u>	<u>\$ 6,625</u>	<u>\$ 50,242</u>
Operating Transfers:				
Transfer to Capital Improvements	\$ 5,000	\$ 7,500	\$ (2,500)	-
Transfer to Equipment Reserve	<u>5,000</u>	<u>7,500</u>	<u>(2,500)</u>	<u>-</u>
Total operating transfers	<u>\$ 10,000</u>	<u>\$ 15,000</u>	<u>\$ (5,000)</u>	<u>-</u>
Total Expenditures	<u>\$389,262</u>	<u>\$401,700</u>	<u>\$ (12,438)</u>	<u>\$364,999</u>
Receipts Over (Under) Expenditures	\$ 16,672			\$ 7,309
Unencumbered Cash, Beginning	<u>65,838</u>			<u>58,529</u>
Unencumbered Cash, Ending	<u>\$ 82,510</u>			<u>\$ 65,838</u>

CITY OF ROLLA, KANSAS

Schedule 2-2

SPECIAL HIGHWAY FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET – REGULATORY BASIS

For the year ended December 31, 2017

(with comparative actual totals for the prior year ended December 31, 2016)

	<u>Current Year</u>		<u>Variance</u>	<u>Prior</u>
	<u>Actual</u>	<u>Budget</u>	<u>Over</u>	<u>Year</u>
			<u>(Under)</u>	<u>Actual</u>
<u>Receipts</u>				
Intergovernmental:				
Gasoline tax	\$ 10,765	\$ 11,130	\$ (365)	\$ 11,192
Use of Money and Property:				
Interest on time deposits	<u>157</u>	<u>50</u>	<u>107</u>	<u>89</u>
Total Receipts	\$ <u>10,922</u>	\$ <u>11,180</u>	\$ <u>(258)</u>	\$ <u>11,281</u>
<u>Expenditures</u>				
Highways and Streets:				
Contractual services	\$ 880	\$ 25,157	\$ (24,277)	-
Commodities	<u>4,661</u>	<u>-</u>	<u>4,661</u>	<u>-</u>
Total Expenditures	\$ <u>5,541</u>	\$ <u>25,157</u>	\$ <u>(19,616)</u>	<u>-</u>
Receipts Over (Under) Expenditures	\$ 5,381			\$ 11,281
Unencumbered Cash, Beginning	<u>23,948</u>			<u>12,667</u>
Unencumbered Cash, Ending	\$ <u>29,329</u>			\$ <u>23,948</u>

CITY OF ROLLA, KANSAS

Schedule 2-3

BOND AND INTEREST FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET – REGULATORY BASIS

For the year ended December 31, 2017

(with comparative actual totals for the prior year ended December 31, 2016)

	Current Year			Prior
			Variance	Year
	Actual	Budget	Over	Actual
			(Under)	
<u>Receipts</u>				
Taxes and Shared Receipts:				
Ad valorem property tax	\$ 54,917	\$ 58,513	\$ (3,596)	\$ 58,786
Delinquent tax	2,722	-	2,722	957
Motor vehicle tax	7,217	10,044	(2,827)	5,216
Recreation vehicle tax	141	121	20	122
16/20 M tax	35	103	(68)	72
Watercraft current tax	31	59	(28)	27
Commercial vehicle tax	<u>135</u>	<u>127</u>	<u>8</u>	<u>180</u>
Total taxes	\$ 65,198	\$ 68,967	\$ (3,769)	\$ 65,360
Intergovernmental:				
Federal government taxes in lieu of	3,156	2,500	656	3,734
Use of Money and Property:				
Interest on investments	189	50	139	178
Miscellaneous	5,235	5,235	-	5,703
Antique tag	20	-	20	7
Operating Transfers:				
Transfer from Shop Project Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,286</u>
Total Receipts	\$ <u>73,798</u>	\$ <u>76,752</u>	\$ <u>(2,954)</u>	\$ <u>77,268</u>
<u>Expenditures</u>				
Bond principal	\$ 70,000	\$ 70,000	\$ -	\$ 69,000
Interest coupons	6,241	6,242	(1)	7,043
Cash reserve	-	10,000	(10,000)	-
Miscellaneous	<u>1</u>	<u>-</u>	<u>1</u>	<u>1</u>
Total Expenditures	\$ <u>76,242</u>	\$ <u>86,242</u>	\$ <u>(10,000)</u>	\$ <u>76,044</u>
Receipts Over (Under) Expenditures	\$ (2,444)			\$ 1,224
Unencumbered Cash, Beginning	<u>9,866</u>			<u>8,642</u>
Unencumbered Cash, Ending	\$ <u>7,422</u>			\$ <u>9,866</u>

CITY OF ROLLA, KANSAS

Schedule 2-4

WATER UTILITIES FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET – REGULATORY BASIS

For the year ended December 31, 2017

(with comparative actual totals for the prior year ended December 31, 2016)

	Current Year			Prior Year Actual
	Actual	Budget	Variance Over (Under)	
<u>Receipts</u>				
Charges for Sales and Services:				
Water sales to customers	\$ 76,565	\$100,000	\$ (23,435)	\$ 91,249
Sanitation sales to customers	44,055	45,000	(945)	40,550
Sewer sales to customers	35,431	40,000	(4,569)	31,172
Penalties and forfeitures	2,241	-	2,241	2,011
Hook up fees	1,200	-	1,200	600
Reconnect fees	<u>850</u>	<u>-</u>	<u>850</u>	<u>648</u>
Total charges for sales and services	\$160,342	\$185,000	\$ (24,658)	\$166,230
Use of Money and Property:				
Interest on time deposits	-	100	(100)	80
Miscellaneous:				
Other	<u>12,630</u>	<u>8,500</u>	<u>4,130</u>	<u>13,375</u>
Total Receipts	<u>\$172,972</u>	<u>\$193,600</u>	<u>\$ (20,628)</u>	<u>\$179,685</u>
<u>Expenditures</u>				
Water:				
Personal services	\$ 15,033	\$ 25,000	\$ (9,967)	\$ 18,307
Contractual services	52,810	36,500	16,310	65,219
Commodities	12,560	25,000	(12,440)	17,652
Capital outlay	<u>-</u>	<u>12,340</u>	<u>(12,340)</u>	<u>6,743</u>
Total water	<u>\$ 80,403</u>	<u>\$ 98,840</u>	<u>\$ (18,437)</u>	<u>\$107,921</u>
Sanitation:				
Contractual services	\$ 39,011	\$ 41,000	\$ (1,989)	\$ 15,149
Commodities	<u>-</u>	<u>500</u>	<u>(500)</u>	<u>2,918</u>
Total sanitation	<u>\$ 39,011</u>	<u>\$ 41,500</u>	<u>\$ (2,489)</u>	<u>\$ 18,067</u>

CITY OF ROLLA, KANSAS

Schedule 2-4
(Continued)

WATER UTILITIES FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET – REGULATORY BASIS

For the year ended December 31, 2017
(with comparative actual totals for the prior year ended December 31, 2016)

	<u>Current Year</u>		<u>Variance</u>	<u>Prior</u>
	<u>Actual</u>	<u>Budget</u>	<u>Over</u>	<u>Year</u>
			<u>(Under)</u>	<u>Actual</u>
<u>Expenditures</u> (Continued)				
Sewer:				
Contractual services	\$ 18,278	\$ 10,239	\$ 8,039	\$ 33,267
Commodities	4,454	4,500	(46)	455
Capital outlay	-	5,500	(5,500)	-
Total sewer	<u>\$ 22,732</u>	<u>\$ 20,239</u>	<u>\$ 2,493</u>	<u>\$ 33,722</u>
Employee Benefits:				
Social Security & Medicare	\$ 965	\$ 3,800	\$ (2,835)	\$ 1,361
KPERS	1,272	2,300	(1,028)	1,701
Medical insurance	17,712	17,500	212	14,633
Unemployment insurance	5	50	(45)	11
Workman's Compensation	2,993	3,000	(7)	2,638
Total employee benefits	<u>\$ 22,947</u>	<u>\$ 26,650</u>	<u>\$ (3,703)</u>	<u>\$ 20,344</u>
Debt Service:				
Debt service	<u>\$ 16,956</u>	<u>\$ 16,956</u>	<u>-</u>	<u>\$ 16,955</u>
Total Expenditures	<u>\$182,049</u>	<u>\$204,185</u>	<u>\$ (22,136)</u>	<u>\$197,009</u>
Receipts Over (Under) Expenditures	\$ (9,077)			\$ (17,324)
Unencumbered Cash, Beginning	<u>10,926</u>			<u>28,250</u>
Unencumbered Cash, Ending	<u>\$ 1,849</u>			<u>\$ 10,926</u>

CITY OF ROLLA, KANSAS

Schedule 2
(Continued)

SCHEDULES OF RECEIPTS AND EXPENDITURES

REGULATORY BASIS

For the year ended December 31, 2017

CITY OF ROLLA, KANSAS

Schedule 2-5

EQUIPMENT RESERVE FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS

For the year ended December 31, 2017
(with comparative actual totals for the prior year ended December 31, 2016)

	<u>2017</u>	<u>2016</u>
<u>Receipts</u>		
Operating Transfers:		
Transfer from General Fund	\$ 5,000	-
<u>Expenditures</u>	<u>-</u>	<u>-</u>
Receipts Over (Under) Expenditures	\$ 5,000	\$ -
Unencumbered Cash, Beginning	<u>901</u>	<u>901</u>
Unencumbered Cash, Ending	\$ <u>5,901</u>	\$ <u>901</u>

CITY OF ROLLA, KANSAS

Schedule 2-6

CAPITAL IMPROVEMENTS FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS

For the year ended December 31, 2017
(with comparative actual totals for the prior year ended December 31, 2016)

	<u>2017</u>	<u>2016</u>
<u>Receipts</u>		
Operating Transfers:		
Transfer from General Fund	\$ 5,000	-
<u>Expenditures</u>	<u>-</u>	<u>-</u>
Receipts Over (Under) Expenditures	\$ 5,000	\$ -
Unencumbered Cash, Beginning	<u>1,628</u>	<u>1,628</u>
Unencumbered Cash, Ending	<u>\$ 6,628</u>	<u>\$ 1,628</u>

CITY OF ROLLA, KANSAS

Schedule 2-7

SHOP PROJECT FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS

For the year ended December 31, 2017
(with comparative actual totals for the prior year ended December 31, 2016)

	<u>2017</u>	<u>2016</u>
<u>Receipts</u>		
Miscellaneous	-	\$ 25
<u>Expenditures</u>		
Operating Transfers:		
Transfer to Bond and Interest Fund	<u>-</u>	<u>2,286</u>
Receipts Over (Under) Expenditures	-	\$ (2,261)
Unencumbered Cash, Beginning	<u>-</u>	<u>2,261</u>
Unencumbered Cash, Ending	<u>-</u>	<u>-</u>

